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SUBJECT: GHANA FINANCIAL HIGHLIGHTS, APRIL 2009

1. SUMMARY:

1A. Ghana's inflation rate crossed 20% in March. Ghana's cedi continues to depreciate against major currencies, and inward private transfers dropped steeply in January.

1B. Global economic slowdown: First reports of job losses in Ghana due to cuts in funding to non-governmental organizations (NGOs).

1C. Ghana continues to express interest in establishing a financial intelligence unit, although no specific steps have been taken by the new government.

1D. Bank of Ghana: raises interest rates, and continues regulatory actions in banking sector; leadership changes anticipated in 2009.

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1A. Macroeconomic Indicators  
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12. 2008 and early 2009 statistics indicate that Ghana's macroeconomic condition is declining. The Ghana Statistical Service reports that the inflation rate reached 20.89% in February of 2009, the highest rate since 2004. Inflation has climbed steadily since October of 2008 (17.3%). A year ago, in February of 2008, inflation was 13.21%.

13. Ghana's cedi continues its fall against major world currencies. In the past year, the cedi has lost more than 30 percent of its value against the U.S. dollar. Excessive spending in 2008 contributed to high budget and current account deficits, leading to increase in prices and the fast depreciation of the cedi. In March, Ghana's current account deficit and widening budget deficit contributed to lowered credit outlooks for Ghana by both Fitch and Standard & Poors.

14. Inward transfers to Ghana registered an unprecedented fall of 33.3% between December 2008 and January 2009. Although the December to January period has historically always registered a drop, the average drop in the prior 3 years was only 11%. Anecdotal information from money-transfer service providers suggests that declining remittances from workers abroad account for a large portion of this drop.

15. Post will be reporting SEPTTEL with additional data and analysis

on Ghana's macroeconomic conditions - including Ghana's budgetary and current account 'twin deficits.'

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B. NGO Job Losses  
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¶6. The depressed global economic situation has led to drops in funding for several non-governmental organizations (NGOs) working in Ghana (both local and international NGOs.) NGO funding cuts has led to job losses in Ghana. While some NGOs are cutting back on development projects others will be forced to close. One example is Oxfam, which specializes in poverty reduction programs in the northern region of Ghana. Oxfam closed its office in the Northern Region and released 17 of its 21 workers.

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C. FIU: Infant Stages  
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¶7. (SBU) Ghana's nascent financial intelligence unit remains a work in progress under the new NDC government. The U.S. Department of Treasury continues to engage the GOG to define areas for additional capacity building and technical assistance. Additional donor support through the Commonwealth fund may be possible, as well as assistance from the Egmont Group.

¶8. (SBU) Under the initiative of the last government, Ghana has been considering the establishment of a Financial Intelligence Center. Current personnel assigned to the development of the FIU include a lead from the Ministry of Finance, and another person from Ghana's National Security Directorate.

¶9. (SBU) COMMENT: Sustained, higher level, political commitment will likely be necessary to see through the establishment of an effective and operational financial intelligence unit. Given Ghana's emerging role as an entrepot area for international drug smuggling, this enhanced law-enforcement capability will be an important tool for both Ghana and partner countries. END COMMENT.

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D. Bank of Ghana: on Solid Ground  
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¶10. To counter inflationary pressures, in February the The Bank of Ghana raised the prime interest rate by 150 basis points to 18.5 percent - the highest rate in five years. The Bank of Ghana announced its forecast that inflation will peak in the second quarter of 2009.

¶11. The Bank of Ghana has continued to take enforcement action against banks accused of improper financial activities and irregularities. Amal Bank was cited and fined for banking violations including transacting in counterfeit currency and making unreported transfers to foreign accounts.

¶12. An indicator of the Bank of Ghana's sound internal management is its recent certification under the international ISO 27001 standard for data security and protection. The Bank of Ghana is the first African central bank to receive this certification, which is shared by institutions such as the IMF, the Federal Reserve Bank of New York, and the Bank of Taiwan.

¶13. Both the Governor of the Bank of Ghana, Dr. Paul Acquah, and the Deputy Governor, Van Lare Dooso, will conclude their terms of service in 2009. The current Governor's contract ends in October 2009 and he is not expected to renew. The Deputy Governor is currently in his second term of service which will expire in May of 2009. As a result, the three top positions of the bank will become vacant. NOTE: The second of two deputy governors was forced to disengage from the Bank of Ghana in January 2009. Former Deputy Governor Mahamudu Bawumia was the Vice-Presidential candidate of the New Patriotic Party (NPP) that lost Ghana's December 2008 election. END NOTE. A search for their replacements has begun. Post will continue to monitor developments regarding potential candidates.

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